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# Government Sincere Initiatives or Political Motives of 1Malaysia Peoples' Aid: Using structural equation modeling

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## Abstract

This study is to examine the socio-economic background and consumption pattern of rural and urban recipients of government aid or BRIM and behavioral response towards acceptance of government aid or BRIM. It also tries to explore the factors which influence the acceptance of the recipients; importance factor, perception towards government sincere incentives or political motives. A survey was conducted in Klang Valley and Kedah, where 250 respondents were interviewed via structured questionnaires. Findings derived from this study revealed that the main consumption of both rural and urban was basically towards necessity goods. Results showed that there was a significant and positive relationship between acceptance and government sincere initiatives, yet relationship between acceptance and political motives was not supported. The study concluded that people accepted BRIM as a sincere government incentive to help people rather than a political agenda.

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**Keywords:** Financial aids; government motives; political motives; acceptance

## 1. Introduction

The Bantuan Rakyat 1 Malaysia (BR1M) is one of the initiatives through Government Transformation Program or GTP. The idea of BR1M assistance came from the rise in the cost of living in Malaysia. The Prime Minister of Malaysia, Dato' Sri Najib Tun Razak (2012) said in the process of giving BR1M, the revenue of MYR26 Billions of tax from the Inland Board of Revenue for this year allowed government to

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give out MYR500 of BR1M. With the slogan People First Performance Now, in 2010, the government of Malaysia under the Prime Minister Dato' Sri Najib bin Tun Razak announced the initiative of government giving people the cash aid. In his speech in the 2011 Budget, Dato' Sri Najib allocated RM2.6 Billion to be given to lower and middle income group. Each household will be rewarded RM500 cash voucher through one-pay off method. Based on Ministry of Finance (2012) press releases, government allocated RM2.6 billion for issuance the RM500 cash voucher per household. The first BR1M application started from December 10<sup>th</sup>2011 till January 10<sup>th</sup>2012. The payment of BR1M had been issued from January 15<sup>th</sup> 2012 until March 15<sup>th</sup>2012. However, its period had been extended till July (Ahmad Husni Hanadzlah, 2012). The eligible applicants of BR1M are any household who earns RM3, 000 and below per month and those in e-Kasih program. Data gathered by Ministry of Finance 4,123,713 application forms were registered by the ministry since 10 January 2012. 3,850,668 numbers of applications were registered. However, only 3,102,054 applications were approved. The first phase of BR1M aid had benefited 5.2 million households or 79.5% of overall Malaysian household.

According to Lumanaj and Hasi (2012), many studies have been carried out to study the performance of welfare program yet studies on recipients' perceptions are still lacking. Hence, the aim of this study is to explore the perception of BR1M recipients on the cash benefits whether it is government sincere incentive or political motivated. This study also aims to investigate the consumption pattern of BR1M recipients in rural and urban area in Malaysia.

## 2. Literature review

Lagarde, Haines & Palmer (2009) define cash transfer as the provision of cash assistance to increase the household income. In Latin America, it called Conditional Cash Transfer (CCT). Such program was to help families living in extreme poverty. Cash aid or cash assistance is different with monetization, microfinance, insurance, budget support and waivers of school fees (Harvey, 2005). He added where cash assistance is alternative to food aid, agricultural and non-food items. He also included the several labels use in calling the cash incentives. Those labels are cash grants, cash relief, repatriation grants, and cash for work, employment, public works, conditional cash transfers, demobilization programs and voucher programs.

According to Brautigam (2000), any aid that could help people in their standard of living could help the countries to achieve their government objectives in reducing the percentage of poverty, for instance cash aid for poor in Kenya (Mwega,2009), cash for work in Afghanistan (Harvey,2005), and cash transfer for poor in Malawi (Davies & Davey,2008). In India, its government provides cash assistance for poor pregnant women to minimize maternal death (Devadasan, Elias, John, Grahacharya & Ralte, 2008). It was because of 20 percent of pregnant women died during maternity. The program is called Janani Suraksha Yojana (JSY). Under this program, the government wants to encourage poor women to go to antenatal checkups and deliver in a health facility. The aim of the program was also to increase the institutional deliveries as well as to reduce financial barriers and thereby reduce maternal and neonatal death. The study reported on the cash assistance program in terms of the knowledge of the scheme, the amount of money received, time delay, documents required, unofficial payment and suggestions for improvements. The advantages of the scheme are to promote the institutional delivery, to reduce maternal and infant deaths and to serve poor people to buy medicine.

European Commission (2009) defines cash aid or cash voucher as the cash or voucher given to people that include individuals, households, or communities. The cash voucher could also be called as the cash transfer where the cash relief tends to help people to buy the basic needs such as food or non-food, services or other essential assets. The transfer of cash to needy recipients possibly will be used for emergency motive, nutritional needs, food complement, shelter usage and other basic services. Harvey

(2005) explored the use of cash and vouchers in emergencies and found some people who support the approaches because both are cost-effective and timely, extend the choice and dignity of recipients and have an effect on local economic activity. Several responses argue the approaches because both will incur the risk and corruption and will be more difficult than commodities. He also added that cash has been used in West for welfare payments and part of relief action in emergencies.

In the United States, the family who has children and unemployed are eligible to get temporary cash assistance under a scheme called Temporary Assistance for Needy Family (TANF) (Zedlewski, Loprest & Huber, 2011) with each household who has child but lack of consistent income because of unemployed, are eligible to get temporary cash assistance. De Mesquita and Smith (2009) investigated on the economic aid given by Organization for Economic Cooperation and Development (OECD) nations. They argued that OECD nations' objective in giving aid is more than helping to alleviate poverty. Their study revealed that OECD nations have little humanitarian motivation for aid giving.

### **3. Acceptance level, importance, government initiatives and political motives**

Using the theory of reason action (TRA) and technology acceptance model (TAM) as the underlying theories, this study adopted the fundamental variables used by Yan, Gong and Thong (2006) in measuring Hong Kong and China user acceptance on short message service (SMS). Besides the original variables such as perceived ease of use and perceived usefulness and subjective norm, Yan et. al's study included a few external factors such as input language, economic development, cultural differences, market competition, business models and political censorship. However, this study only focused on four main variables which included acceptance level, importance of BRIM (perceived usefulness) and two external factors; government sincere incentives and political motives.

Although Technology acceptance model is widely used in information system research, TAM measures the acceptance of technology user (Davis, 1986). Acceptance of BRIM/cash transfer is defined as act of accepting the aid from the government. Importance of BRIM/cash transfer was adopted from perceived usefulness definition in TAM. Importance is regarded as recipients' perception towards the benefits of getting the government aid. On the other hand, government sincere incentives are referred to as government's responsibility to the communities. Political motives depicts elements of enticement in supporting the government was also included in this study as there was a report by De Mesquita and Smith (2009) on OECD nations have other agendas besides alleviating poverty.

Thus, this study is inspired to investigate further government's motives on giving out the cash benefits from the perspective of the BRIM recipients in urban and rural area Malaysia. Evidence suggested that aid is allocated to meet the need of the recipients particularly in the sectors such as education, energy and food. Based on the above argument, this study explores the factors that influence the acceptance of the recipients on the BRIM in terms of importance, government sincere incentives and political motives.

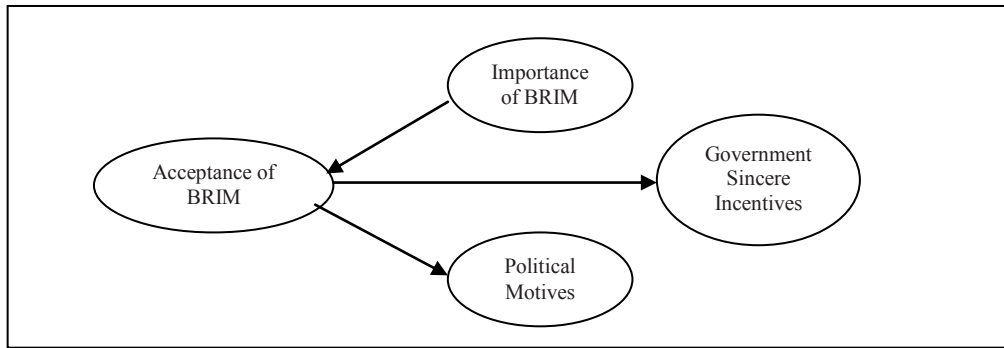


Fig. 1. The hypothesized model

In view of the above research context, we strongly believe that the proposed hypothesized model is novel as it attempts to explain the effect of acceptance of BRIM and in turn, its subsequent effect on importance, government sincere incentives and political motives. The hypothesized model is depicted in

Figure 1. The hypotheses model is as follows:

- H1: Importance of BRIM has a positive effect on acceptance of BRIM
- H2: Acceptance of BRIM has a positive effect on government sincere incentives
- H3: Acceptance of BRIM has a positive effect on political motives

#### 4. Methodology

A structured questionnaire was used based on the attributes derived from previous research. The survey was pre-tested with 100 recipients of BRIM for content validity before the survey was carried out. Consequently, the final survey was conducted at two states which are Kedah and Klang Valley. A five-point scale was used to describe the items listed in the dimensions ranging from “very strongly disagree” to “very strongly agree” for all the questions involved in the study. Two hundred fifty questionnaires were distributed; 40% of the respondents were female and 60% were males. The age of the overall majority of respondents was between 26-30 years old (23.2%), 31-35 (17.2%), 51-60 (11.6%). Most of them was with high school certificate SPM and lower (70.8%) and worked in the private sectors (36.8%) and public sector (15.2%), majority of respondents are Malay (91%), Chinese (3.2%), India (3.65) and Bumiputra Sabah and Sarawak (2%).

#### 5. Results and discussions

From Table 1, the overall spending behaviour of BRIM recipients are more on necessity goods which consisted of food (51%) , clothing (9%), maintenance (7%) and others (33%).

Table 1. Urban and rural main consumption pattern

Types of Spending	Urban (%)	Rural (%)
Food	53.9	48.4
Transportation	10.9	7.4
Clothing	3.1	9.0
Furnishing	0.8	8.2
Maintenance	8.6	5.7
Communication	1.6	5.7
Recreation	3.1	4.9
Education	4.7	4.9
Utility bill	5.5	2.5
Start a business	3.9	0.8
Investment	2.3	0.0
Others	1.6	2.5
Total	128 (100%)	122 (100%)

The range of main spending is between RM 240 to RM400. The mean of the main spending is RM287.32. The finding in Table 1 reflects the high cost of living for urban as it shows higher percentage of spending for food (5.5%) and transportation (3.5%), maintenance (2.9%) from the rural recipients. As for the rural their spending is more normal goods for example clothing (6%), furnishing (7.4%). The analysis was conducted similarly as the study done by Kamaruddin, R et.al (2011) using structural equation modelling. Consequently, the sequence of analysis took the following order: firstly, exploratory factor analysis (EFA) was performed on each measurement model to assess unidimensionality in terms of the parameter estimates, the statistical significance of the parameter estimates and overall fit. Upon inspecting the results, at this point the researcher then decided whether to retain or delete any ill-fitting item.

Secondly, CFA was performed on those measurement models that were comprised of purified measures derived from the first step. Finally, all pertinent results on the measurement models were reported in Table 2. Table 2 exhibits the results of the factor loading (standardised regression weights) between latent variables and their indicators as well as the scores of the composite reliability and average variance extracted. The result indicates that all items loadings are statistically significant and the magnitude for most of the variables and their indicators are above reasonable benchmark. With regards to the score for the composite reliability, the construct indicators indicate the latent constructs range from 0.774 to 0.844.

These signify that the results of composite reliability for all latent constructs exceeded recommended level of 0.7 (Gefen, Straub & Bourdreau, 2000). On top of that, analysis on the average variance extracted indicates that the scores are within the range of 0.33 to 0.72. Overall, the value of both reliability and convergence validity tests imply reliable scores for those latent constructs used in this study.

Table 2. Confirmatory factor analysis with factor loadings, variance extracted and construct reliability

Label	Construct	Loadings	Cronbach alpha	Variance Extracted (VE)	Construct Reliability (CR)	
D1	BR1M help to lesser the cost of living	0.729***	0.791	0.50	0.791	
D3	BR1M help people reduce the burden the rising of goods and services prices	0.753***				
D5	The requirements of BR1M recipients are suitable	0.556***				
E3	You had a good understanding of BR1M	0.414***	0.716	0.33	0.774	
E4	You get excited when you think about trying to use BR1M	0.619***				
E9	BR1M has been useful for overall consumption	0.649***				
E10	The government agencies has been supportive with the use of BR1M	0.484***				
E11	BR1M is a good initiatives	0.671***				
G3	Help is available from government when people have a problem	0.784***	0.886		0.72	0.844
G4	Government really cares about people well-being	0.894***				
G5	Government is willing to extend itself in order to help people	0.874***				
F1	The issuance of BR1M may have the relationship with the General Election	0.792***	0.780	0.54	0.819	
F3	The issuance of BR1M like a bribery element	0.693***				
F7	Government desires to retain votes in the country	0.727***				

Note: Significance level: \*\*\* -  $p \leq 0.01$  (significant at t-value exceed  $\pm 1.96$ )

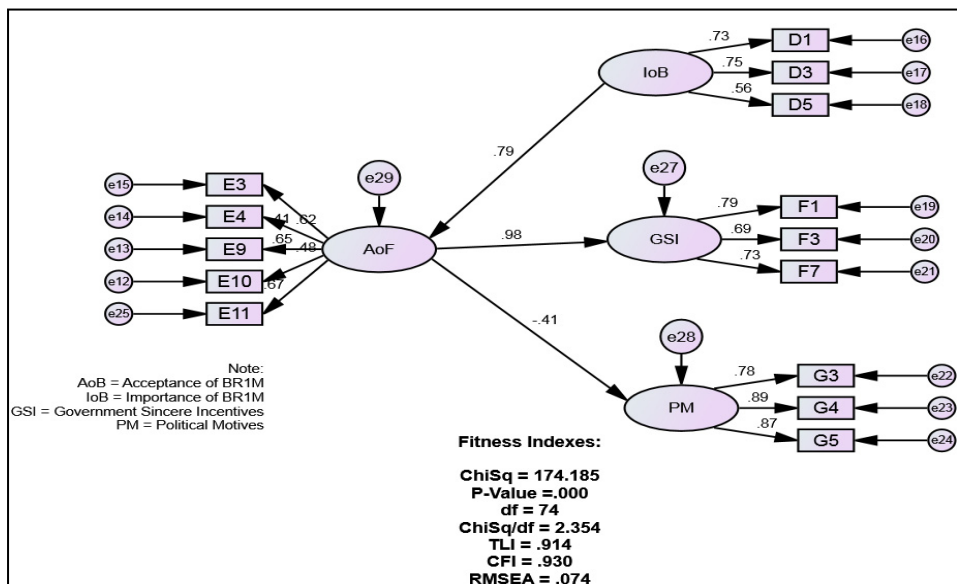


Fig. 3. Result of the path model relationships

The effect of importance and acceptance, acceptance with government sincere initiatives and political incentives were performed. Results of the standardized parameter estimates of the proposed model were depicted in Table 3 respectively. The results showed that RMSEA = 0.074, CMIN/DF 2.354, IFI 0.931, TLI 0.914, CFI .930, indicating a good fit between the data and the proposed model. The statistical significance of the structural parameters was examined and it was found that all the hypotheses were supported except for the relationships between acceptance and political motives.

Table 3. Overall standardized parameter estimates for the structural model

Hypotheses	Path relationships	Significance level	Parameter Estimates	p-values (<0.05)	Significance (yes/no)
H1	Importance – Acceptance	0.05	0.79	0.01	Yes
H2	Acceptance –Government Initiatives	0.05	0.98	0.01	Yes
H3	Acceptance – Political Motives	0.05	<b>-0.41</b>	0.01	Yes

## 6. Conclusion

Referring to Dato' Seri Najib Razak statement, dated Jan 16 2012, in his article “*Bantuan Rakyat 1Malaysia: Pemberian Ikhlas Kerajaan*”, he wrote that “Many people think that 1Malaysia People's Aid as a ploy to garner votes and actions that the government has never done and considered this as a clear indicator that the 13 General Elections is very close”. He also added “the question that needs an answer is whether the grant was politically motivated and for me: “Of course, it may be said there is a political element, but that is a second issue, because it is appropriate assistance in situations where the cost of living rising”. From this study, we can conclude and support the statement made by the Prime Minister that people generally agreed that BRIM is a government sincere incentive rather than political motives. It is further justified that the main consumption basically towards the need of the public on necessity goods such as food, clothing and transport show clearly on the rising on the cost of living. Although BRIM is a one off assistance but people in general are happy with the government sincere initiatives.

In Malaysia, BRIM is the first cash benefits that have been widely and nationally announced since Barisan National became the government. One of the main concerns of this study is the efficiency of the cash benefits program because Lumanaj and Hasi (2012) highlighted their concern on the recipients' dependency on the economic aid given by the government. They also added that inefficiency of economic aid program sometimes leading people to unethical behaviour such as corruption. This study also recommends that future study should be carried out on how to make economic aid more effective and focusing on substantial sectors of aid (in terms of projects and dollar spent) in Malaysia.

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